

Late Addendum

REPORTS FROM THE ACTING DIRECTOR TECHNOLOGY AND CORPORATE SERVICES

b35 [TCS-CM] Environmental Levy 2015/2016

SUBMITTED BY: Revenue and Recovery



Civic Leadership



Caring for the Environment

LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK:

- | | |
|-----|--|
| 1 | Civic Leadership |
| 1.2 | Improve decision making by engaging stakeholders and taking into account community input |
| 1.3 | Delivering the objectives of this plan. |
| 4 | Caring for the Environment |
| 4.1 | Protect the environment and natural beauty of the Tweed. |
| 4.2 | Conserve native flora and fauna and their habitats. |
| 4.3 | Maintain and enhance Tweed's waterways and its catchments. |
| 4.5 | Improve the environmental capacity of Tweed agricultural lands. |
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SUMMARY OF REPORT:

Council at its meeting of 21 November 2013 resolved as follows:

- 1. A list of environmental projects be prepared from existing and draft environmental management plans and strategies that require additional funding (i.e. not already funded under existing budget allocations) with a view to further considering these for inclusion in the 2014/2015 Integrated Planning and Reporting Framework process.*
- 2. Advice be provided in 2014/2015 Operational Plan and Revenue Policy and Statement of the intent to apply an environmental levy effective from the 2015/2016 financial period.*
- 3. There be no reduction in the current proportion of funds for environmental projects as allocated from General Funds in the 2013/2014 budget in the 2015/2016 financial period.*

This report provides a preliminary list of identified environmental projects that require additional funding in the 2015/2016 budget along with the estimated impact on ratepayers.

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RECOMMENDATION:

That Council:

- 1. Proceed to include information on a proposed 2015/2016 Environmental Levy in the 2014/2015 Integrated Planning and Reporting process based on the Tweed River Bank Management Project, funded by an ordinary rate increase of 1% for a period of 10 years.**
- 2. Consult with the community on the alternatives as detailed within this report.**

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REPORT:

A report was presented to Council on 21 November 2013 in response to a prior resolution that Council investigate the feasibility of introducing an environmental levy of 1% above the capped rate.

The November 2013 report discussed the introduction of an environmental levy and provided a preliminary overview of the *Guidelines for the preparation of an application for a special variation to general income* with an indicative financial impact on ratepayers if the levy were to be implemented in the 2014/2015 rating year.

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- 2. Advice be provided in 2014/2015 Operational Plan and Revenue Policy and Statement of the intent to apply an environmental levy effective from the 2015/2016 financial period.*
- 3. There be no reduction in the current proportion of funds for environmental projects as allocated from General Funds in the 2013/2014 budget in the 2015/2016 financial period.*

This report provides a list of identified environmental projects that require additional funding in the 2015/2016 budget along with the estimated impact on ratepayers.

Identified projects need to follow the Integrated Planning and Reporting process by aligning with the objectives and strategies of the 10 Year Community Strategic Plan and the adopted 4 Year Delivery Program with the resultant projects to be included in the Operational Plan and Revenue Policy.

The following identified Environmental Projects (Existing and Proposed) would benefit the community should additional funding be provided:

- Biodiversity and Council Bushland Management
- Vertebrate Pest Management
- Sustainable Agriculture Program
- River Bank Management
- Sustainability Programs
- Integrated Water Cycle Management

The indicative costs provided are broad minimum estimates considered necessary to generate tangible on ground outcomes. These will need to be refined over time as the effectiveness of environmental programs is reviewed and as future priorities are determined.

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Biodiversity and Council Bushland Management

Budget Estimate of Expenditure Year 1 - Up to \$350,000 per annum

Council is responsible for the management of approximately 3000 hectares of bushland, all of which needs to be actively managed for noxious and environmental weeds and illegal dumping. This land has been acquired over many years for environmental reasons, such as Mt Nullum, and also through dedication via land development. Council's current position on the dedication of environmental land through development is for the impacting development to fund in perpetuity the ongoing cost of maintenance of the same via a monetary contribution from the developer or a special rate applied to the adjoining community. Past and proposed examples of this include Koala Beach (where a special levy applies to land within this development), Kings Forest and Cobaki (where consent conditions require negotiation between the proponent and Council and no agreement has yet been reached), and Area E (where a VPA has been prepared and agreed to in part by the proponent and Council for proportional contribution towards \$7.44million for long term land management). This approach provides for the ongoing management of environmental land already protected through zonings but impacted by adjoining development.

At present Council only has recurring funding within its budget for Koala Beach Estate and Pottsville Environmental Park which together account for about 10% of Council's bushland estate. The remainder of Council's bushland asset is maintained at a relatively poor standard with adhoc grant funding and other program budgets.

Based on past experience and figures provided in the Tweed Byron Futures Bushland Audit, the basic cost of maintaining urban bushland free of weeds is in the order of \$2000/ha/year once brought to up to an acceptable standard. While the amount of \$350,000 per annum represents a small fraction of that needed to manage Council land, it would at least provide a basis for improved management of these environmentally sensitive lands.

If the Biodiversity and Council Bushland Management program was to be included in the Environmental Levy the funds generated potentially could only be invested in that land which is not funded by other forms of revenue. Importantly a framework would need to be developed to ensure the nexus between the land to which the Levy is charged and the proposed outcomes and to ensure that there is no duplication of a Levy.

Vertebrate Pest Management

Budget Estimate of Expenditure Year 1 - Up to \$150,000 per annum

There is currently no dedicated budget for vertebrate pest management and therefore reduced opportunities for external funding for pest programs on Council land. There is a legislative requirement for Council to manage declared pests on Council managed lands, and a clear community desire for improved pest animal management for biodiversity and asset protection.

It is anticipated that species targeted for control would include established species such as wild dogs, foxes, feral cats, rabbits, wild pigs, Indian mynas and cane toads. There is also a recognised need to monitor for and control incursions of new invasive species before they establish.

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This program could include:

- strategic control programs to support threatened species
- monitoring and control of pest species on Council managed lands
- participation in cross-tenure, landscape scale control programs; and
- support for pest management on private land where control of pests has an overall positive environmental outcome and/or implications for management of pests on Council owned or controlled lands.

Sustainable Agriculture Program

Budget Estimate of Expenditure Year 1 - Up to \$300,000 per annum

Tweed's Sustainable Agriculture Program has no dedicated budget and has historically relied on the Tweed River Estuaries program budget and grant funding to deliver on-ground assistance, facilitate research, provide education, build partnerships, inform policy and conduct monitoring to improve the outcomes that farming has on environmental assets in the Tweed. This proposed program would entail the following activities:

- Continuation of acid sulfate soil hotspot identification and site remediation (currently partially funded through ARC Linkage grants, Catchment Management Authority, Tweed River Estuaries program and other funding sources as they arise).
- Continuation and expansion of the 'Greenbanks' project - vegetative buffer strips along agricultural drains and waterways on agricultural land (currently partially funded through Tweed River Estuaries Program, Catchment Management Authority and other funding sources as they arise).
- The Sustainable Agriculture Strategy, currently in preparation, will identify a range of priority actions the implementation of which will require funding (internal and/or external).

Tweed River Bank Management Project

Budget Estimate of Expenditure Year 1 - \$5,000,000 project over 5 years

Recent river bank erosion mapping has identified a significant length of river bank between Murwillumbah and Stotts Island that is affected by erosion. River bank stabilisation in this area is not currently funded by Council. Recent work to protect the road on either bank has been undertaken with State Government disaster recovery grants. Results from reactive management of river bank erosion in areas where roads are imminently in danger of damage leads to high cost and environmental impacts. Council needs to invest in a program that identifies areas of bank that can be strengthened prior to the adjacent roadway being damaged or threatened.

Pre-emptive river bank stabilisation works in the Tweed River estuary will lead to significantly improved environmental and amenity outcomes. This program proposes the expenditure of \$5,000,000 in loan funds over 5 years on Environmental river bank stabilisation works: That is, bank stabilisation works that aim to increase the ability of the

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river bank to withstand erosion by creating zones that can either be planted or will be naturally colonised by riparian and marine vegetation. Works will stabilise erosion and lead to a net improvement in the ecological condition of the river bank. Works will generally occur in areas where there is a minimum set back of 6 metres from the road edge. This allows for planting a minimum width of 2.5 metres at the top of the bank, while retaining a 3.5 metre setback from the road edge. The project area will include the section of Tweed River from Murwillumbah to Stotts Island.

Sustainability Program

Budget Estimate of Expenditure Year 1- Up to \$150,000 per annum

Council has previously established the Revolving Energy Fund and the Climate Change Fund of \$100,000 per annum (\$75,000 from Water and Sewer Funds and \$25,000 from General Fund) to invest in renewable energy and energy efficiency projects on Council operated assets. Additional funding will be required to move toward a more sustainable Council operation and region. Additional funding is required to:

- deliver actions identified in Council's Environmental Sustainability Strategy (in development).
- assess options to meet Council's aspiration goal to be self-sufficient in renewable energy, including seed funding to implement renewable energy initiatives including those identified in the Tweed Renewable Energy Think Tank Action Plan (2013).
- expand the availability of grant funding to deliver sustainability outcomes in partnership with community, business and other government stakeholders.
- raise awareness and support engagement campaigns to promote sustainability behaviours amongst the local community.

Integrated Water Cycle Management Program

Budget Estimate of Expenditure Year 1 - \$300,000 per annum

Consultation associated with the review of Council's Integrated Water Cycle Management Strategy (IWCM) has highlighted the importance the community places in maintaining the natural environment in river and catchment areas and community support for all ratepayers to share responsibility for maintaining the health of rivers.

The IWCM Final Draft (Nov 2013) outlines an implementation program requiring additional funding. Consideration of funding for environmental outcomes in the forthcoming IP&R and the potential scope of a future environmental levy should allow for the delivery of:

- fundamental IWCM actions (appointment of an IWCM Program Leader (not currently in budget), community engagement and data collection)
- priority IWCM actions (incorporate waterway health considerations as key inputs in the early stages of land use and development planning, increased water recycling)
- integrating a 'Total Water Cycle Management' approach across Council via the IWCM Program Leader.

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Environmental Program Grant Leveraging and Local Economic Stimulus

Dedicated environmental funding would ensure 'seed' money is available for Council to pursue grants and financial assistance from State and Federal Governments and other sources. All grant funding bodies require a cash contribution from the recipient and a small contribution can see the seed funds at least doubled and often tripled or more. In the past few years Council has successfully been awarded grants where the financial assistance has been up to 10 times the cash contribution of Council. This provides for a high level benefit and value-adding for Council's budget allocation.

Additional levy funds above those provided in Council's ongoing budget would provide additional economic stimulus for the Shire and region. Funds of this nature would predominantly be spent on local contractors and product suppliers. In conjunction with Council's recently adopted local preference component of the Procurement Policy, this would generate local economic activity using funds that would otherwise not be spent on the Tweed.

All of the proposed programs would provide the opportunity for additional grant funding and the benefits explained above. As an alternative, Council could allocate a nominal amount of the Environmental Levy to be used to attract grant funding across each of the six suggested program areas.

Community Awareness

With the above programs the community would be able to see the environmental assets they value being protected and enhanced through Council's programs:

- visible improvements in, and amenity of, bushland reserves through better management of pest plants and animals;
- reduced pest animal and plant incursions onto private property;
- improved soil health, biodiversity and water quality outcomes from better agricultural practices;
- preventative river bank erosion management leading to improved environmental outcomes, a more resilient river to recreational pressures and protection of major Council assets such as road reserves and other infrastructure; and
- improvements in Council's own environmental sustainability outcomes, increasing renewable energy generation, greater financial support for community sustainability initiatives and more people being reached by sustainability awareness and engagement programs.

Financial Impact on Ratepayers

It should be noted that if the proposed Environmental Levy is implemented it will take effect in the 2015/2016 rating year. For comparative purposes the proposed rate increases have been calculated on the current rating year figures.

A 1% increase on the 2013/2014 notional yield rate base would produce an additional \$484,970.28 per annum. A straight line spread of this amount over the three rating categories results in an increased rate in the dollar of 0.000051. It should be noted this is a

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notional yield and rate in dollar and is subject to minor variations due to valuation amendments in the rate base.

Rate Type	Number of Properties	Land Value	Rate in the Dollar	Total Rates Levied	Percentage of Total Levy
RESRATE (Env Levy)	35,594	7,623,543,492	.000051	388,800.72	80.17
BUSRATE (Env Levy)	1,801	938,065,180	.000051	47,841.32	9.86
FARMLAND(Env Levy)	1,548	947,612,510	.000051	48,328.24	9.97
Sub-Total	38,943	9,509,221,182		484,970.28	

Rate Type	Number of Properties	Land Value	Rate in the Dollar	Total Rates Levied	Percentage of Total Levy
Environmental Levy	38,943	9,509,221,182	.000051	484,970.28	100.00

Rate Type	Number of Properties	Average Land Value	Average amount of Rates Levied	Greater Than Minimum	Number on Minimum
RESRATE	35,594	214,180.58	10.92	35,594	0
BUSRATE	1,801	520,857.96	26.56	1,801	0
FARMLAND	1,548	612,152.78	31.22	1,548	0
Sub-Total	38,943			38,943	
Environmental Levy	38,943	244,183.07	12.45	38,943	0

The proposed average rate increase for the first year equates to:

Category	Ave. Land Value	Increase
Residential	\$214,180	\$10.92
Business	\$520,854	\$26.56
Farmland	\$612,152	\$31.22

The average levy for all properties within the shire would be \$12.45 per property.

Size and term of proposed Environmental Levy

The term and size of the rate increase, as a result of the Environmental Levy, needs to be determined by Council.

Recent permanent Environmental Levy requests, through a Special Rate Variation, from other Councils within NSW have not received full endorsement from IPART; rather they have been limited between 6 and 10 year approvals with Councils required to resubmit their requests after their expiry. This then allows IPART to determine the success or otherwise of the first approval.

This potential limited approval term results in Council having to select project/s that can be terminated at the approval expiry date so as not to place additional costs on an already tight budget.

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Additionally, the recent release of the *Final Report of the NSW Independent Local Government Review Panel* makes it clear that financial sustainability and funding asset management requirements are pivotal to the long term prosperity of NSW Local Government and will be monitored closely in future years.

Given the above, it is considered appropriate that Council consider limiting any Environmental Levy to a 1% increase in rates for a fixed period of ten years. This will allow greater flexibility in the rating strategy should Council wish to fund other priority areas in the future.

Should council resolve to proceed with the introduction of an Environmental Levy, community engagement/feedback on the projects and ratepayer impacts, will be pivotal in gaining IPART approval.

OPTIONS:

1. Council proceed to include information on a proposed 2015/16 Environmental Levy in the 2014/15 Integrated Planning and Reporting process based on the Tweed River Bank Management Project, funded by an ordinary rate increase of 1% for a period of 10 years.
2. Council proceed to include information on a proposed 2015/16 Environmental Levy in the 2014/15 Integrated Planning and Reporting process based on other projects, a combination of projects, rate increases and time frames.
3. Council not proceed with an Environmental Levy at this time.

CONCLUSION:

There are many worthwhile projects that could benefit from additional funding through an Environmental Levy. The size and term of this funding source should be balanced against other competing funding priorities that Council may wish to pursue in the future.

The proposed Tweed River Bank Management Project between Murwillumbah and Stotts Island has been identified as a major issue facing the river and Tweed Community. It is an iconic project to which the community can relate and requires immediate investment in the short term to protect against further erosion. This project will not however fund works along Tweed Valley Way which have already experienced severe erosion and require an engineered solution to remedy.

COUNCIL IMPLICATIONS:

a. Policy:

Corporate Policy Not Applicable.

b. Budget/Long Term Financial Plan:

The introduction of an Environmental Levy matched against equivalent expenditure will have no negative effect on the Budget/Long Term Financial Plan position.

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c. Legal:

Not Applicable.

d. Communication/Engagement:

Consult-We will listen to you, consider your ideas and concerns and keep you informed.

UNDER SEPARATE COVER/FURTHER INFORMATION:

Nil.
